



Foreign Agricultural Service

**GAIN Report**

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## **Bermuda**

## **Retail Food Sector**

## **Report**

## **2000**

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### **Report Highlights:**

**With a GDP per capita of \$31,500, Bermuda enjoys one of the highest in all of the Americas. Bermudans are under heavy fire from American media advertising, and as a result are oriented to popular American brand name food products. Tariff and duty regulations which complement the U.S. system, further facilitates U.S. food exports to Bermuda.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Annual Report  
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## SECTION 1: MARKET SUMMARY

Various cultural, economic and geographical factors make the island of Bermuda one of the most unique and challenging food retail markets in the world.

Bermuda is an overseas territory of the United Kingdom located five hundred and eighty-six miles off the coast of Cape Hatteras, North Carolina. The island is approximately 50 square kilometers in size (about 1/3 times the size of Washington D.C.) and has a population of 62,997 (July 2000 est.). With a per capita GDP of \$31,500 (1999 est.), Bermuda has the third wealthiest population in the western hemisphere. Unemployment is 0% making even minimum wages high.

One reason for the high GDP is that Bermuda has successfully exploited the international financial services sector. International business, constitutes over 60 percent of Bermuda's economic output. Both offshore banking and insurance companies are offered attractive business incentives. The world headquarters for many high profile companies are located on the island. Tourism is important to the economy, accounting for an estimated 24 percent (1997/98e) of GDP. Bermuda has luxury tourist facilities to accommodate its 360,000 annual visitors.

Despite the historical ties to the United Kingdom, Bermuda has developed its own way of doing business. Businessmen wear a business suit with shorts, knee high socks and dress shoes. The United States maintains a dominant presence in the market as Bermuda's primary trading partner. Roughly 85-90 percent of Bermuda's food and beverage imports are from the United States. U.S. imports are shipped either out of Newark, New Jersey or Jacksonville, Florida.

Being the closest major power, the United States has the advantage of the media "spillover" into the island. Televisions in Bermuda pick up over sixty American channels via satellite which are seen in virtually every residence and hotel room, which bring in American trends to the island. Despite the dominance of U.S. food products, not all U.S. food trends are first in Bermuda. However, organic or "healthy" foods which are popular in the United States are just slowly catching on in Bermuda. Prepared foods and ready-to-eat/ready-to-cook meals are becoming popular, but only sell well during lunch time in the populated areas on the island. Bermudans high GDP per capita is reflected in their purchasing of name brand products. The 60,000 inhabitants purchased \$230 million of retail food products in 1998. Locals are very brand loyal and thus, difficult to sway.

Another unique factor of the market is its sheer lack of space and resulting high cost of the space available. As a result, only the products with the most demand are awarded the prime shelf space. The scarce shelf space leaves even less chance for new products. For many stores, if a new product is brought in, another is bumped out. The only agricultural production on the island is bananas, vegetables, citrus, flowers and dairy products.

Advantages	Challenges
U.S. exports dominate the food retail industry with 85-90 percent of the market share.	It is hard to find a brand name product to export to Bermuda that has not already entered the market.
Distribution systems, tariff and duty regulations compliment U.S. systems, making exporting easy.	Tariffs on several items can reach up to 22 percent due to the government protecting local businesses. Milk and coffee are 15 percent and spirits are \$23/liter. Ornamental plants are 33.5%, non-cane or beet sugars and confectionary are 22.25%, cereals are 10%, crustaceans and molluscs are 10% and mineral waters are 35%.
Bermudans are very loyal to name brands.	Lesser known or new products will find it difficult to compete with established, well known brands.
The influence of United States media places a significant role in introducing new products into the Bermudan market.	Limited space in supermarkets allows shelf space for high demand products only.
Wholesalers control 90 percent of imports for the retail industry.	Selling directly to the retail sector is difficult because of the established distribution network. Limited and costly storage space and the time needed for shipping restricts retailers from purchasing direct.

## SECTION II: ROAD MAP FOR MARKET ENTRY

### A. SUPERMARKETS

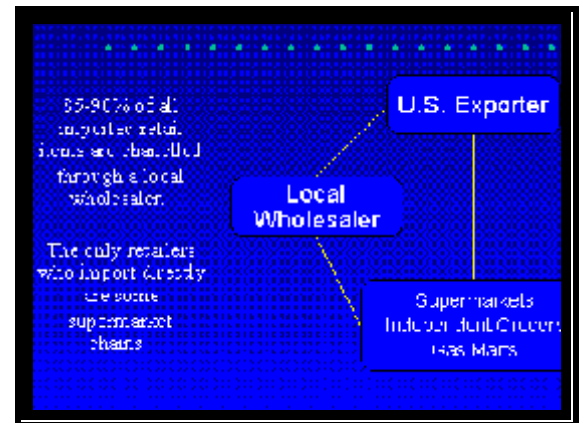
#### Entry Strategy

Local wholesalers are the gatekeepers of 90 percent of the food retail sales. With the closest manufacturer 600 miles away, Bermuda local wholesalers play a critical role when items are needed promptly. Penetrating the market is difficult to do in Bermuda because of the high degree of brand loyalty. The best way for a U.S. manufacturer to enter the market with success is to first search the market for potential niches, develop an excellent marketing plan and then begin exporting via a local distributor. Researching the market structure and competition is key in assessing current market conditions and making sound decisions. If possible, travel to Bermuda to get a first-hand experience of the market. Sample the public's opinion and offer quality goods at a reasonable price. Finally, provide the product with a great deal of marketing support and television air time.

If a new brand is being introduced into the island and is a subsidiary of an already established company name, the chances for success are favorable. However, if a new company tries to penetrate the market and compete against an established one, the chances of success are heavily weighed against that company. In an attempt to convert customers from one brand name to another, it is suggested that companies follow the steps listed above.

### Market Structure

The majority of large supermarket chains purchase their goods from local wholesalers because of the convenience and reliability of the items being supplied. However, some supermarkets have significant purchasing power and occasionally deal directly with their manufacturers. "The Marketplace" the largest supermarket chain, purchases the majority of their products directly. They also produce their own private label.



### Company Profiles

Name of Retailer and type of retail outlet	Ownership (Local or Foreign)	Food Sales, CY98	Number of Outlets	Locations (Parishes)	Type of Purchasing Agent(s)
The Marketplace Supermarket	Local	N/A	8	Hamilton, Paget, Somerset, Southampton	Wholesaler, Direct
Lindo's Market, Supermarket	Local	N/A	2	Devonshire, Warwick	Wholesaler, Direct
Lindo's Family Foods, Supermarket	Local	N/A	1	Warwick	Wholesaler
Arnold's, Independent Grocer	Local	N/A	3	Sandys, Pembroke	Wholesaler
The Supermart, Supermarket	Local	N/A	2	Pembroke, St. George's	Wholesaler
Manuel Soars & Sons, Independent Grocers	Local	N/A	1	Pembroke	Wholesaler

White & Sons Ltd., Supermarket	Local	N/A	1	Warwick	Wholesaler
Harrington Hundreds, Independent Grocer	Local	N/A	1	Smith	Wholesaler
Miles Market, Specialty Market	Local	N/A	1	Pembroke	Direct, Wholesaler

**TOTAL RETAIL SALES FOR 1997-1998:** .....\$229,800,000  
(includes food, beverage & tobacco products)

### MARKET SHARE

<b>Supermarkets</b>	<b>80%</b>
<b>Independent Grocers, Gas Station Convenience stores</b>	<b>20%</b>

The island is divided into nine parishes and two municipalities\*; Devonshire, Hamilton, Hamilton\*, Paget, Pembroke, Saint George\*, Saint George's, Sandys, Smiths, Southampton, and Warwick. The largest cities, Hamilton and Saint George are located respectively in Hamilton Parish and St. George's Parish. Because of the relatively small size of the island, the population is evenly distributed throughout the island, with the most traffic in the municipalities.

Supermarkets as well as independent grocers and gasoline marts can be found in virtually every parish and municipality. They are well spread out across the island. The average supermarket size is between 20,000- 30,000 square feet. Villages and towns are usually supported by smaller local food stores. However, a large supermarket is but a short distance away for everyone. It is interesting to note that no international supermarket chains have entered the market.

Bermudan tastes have gradually matured over the years, moving from canned foods to specialty items produced by specific brand names. Current American trends such as a movement towards "healthy" organic foods, home-meal replacement and prepared foods are slowly making an impact on the tastes and lifestyle preferences of Bermudans. More and more women are working allowing them less time and energy to prepare a meal from scratch.. Bermudans can afford to trade higher prices for convenience. The major internal drivers pushing the success of U.S. goods are the availability, abundance and quality of the products imported.

## B. GAS MARTS

### Entry Strategy

Gas marts purchase 95-98 percent of their goods from local wholesalers. If a specialty item is not carried by a local

company, they will try to buy it directly from the manufacturer. The best method of targeting gas marts is via a local wholesaler.

### **Company Profiles**

Name of Retailer and type of retail outlet	Ownership (Local or Foreign)	Food Sales, CY98	Number of Outlets	Locations (Parishes)	Type of Purchasing Agent(s)
Esso, (Gas Mart)	U.S.	N/A	10	every Parish	Wholesaler

Convenience is the major driver behind the success and growth of gas marts in Bermuda. Traffic is increasing and more families have two breadwinners. While on the road, more and more Bermudans are finding that stopping for gas and purchasing something to eat or drink is the best and easiest way to satisfy their needs. Consumers are trading off lower prices for convenience without hurting their finances. Gas marts should definitely be an area of interest for U.S. manufacturers because of the recent rapid growth and future potential.

Gas marts are well spread out around the island. Located mostly on main roads and urban areas, they choose their location where traffic is the heaviest. This location in turn provides them with access to a large number of drivers, public visibility and presence in the community.

## **C. Traditional Markets- “Mom and Pop” Independent Grocery Stores**

### **Entry Strategy**

Independent grocers find it difficult to purchase items directly from manufacturers because of the lack of purchasing power, purchasing instead through local wholesalers. Small independent grocery stores tend to carry only the most demanded brand name products. They often try to carry specialty items that are not found in larger grocery stores. To differentiate themselves from their larger competitors with limited space, the grocer has to be very strategic with regards to what products he/she will carry.

### **Sub-Sector Profile**

About one traditional independent grocery store outlet is located in each rural area around the island to support the local neighborhood needs. On average the stores are usually 6,000-8000 square feet in size and are very clean, well organized and modern. The traditional customers are upper-middle class regional mothers. Independent stores account for roughly 15-20 percent of the retail food sales in Bermuda.

## **SECTION III: COMPETITION**

With 85-90 percent market share, U.S. manufacturers have very little competition from local producers or producers

from other countries. The only reason a U.S. manufacturer may find it difficult to export a product into Bermuda is if there already is an established competing American product in the market. For the most part, all the major brands are already in the market. Bermudan supermarkets look very similar if not identical to U.S. markets. The only items that were consistently mentioned from other countries was flour from Canada, and lamb from New Zealand (although American lamb has made progress in the market).

#### **SECTION IV: BEST PRODUCT PROSPECTS**

Because of the high GDP per capita, the best selling items in the food retail industry are well known brand name, specialty and convenience items. Home meal replacements have become a growing trend in the market because of the faster-paced Bermudan lifestyles. Lunch is especially the best time for serving ready-made foods. However, dinner meal replacements are not very popular because purchasing a meal after work (usually 5:00 PM) is too early to eat.

Also because of higher incomes, tastes on the island have matured and people are now demanding more expensive/exquisite foods. They do not mind paying top dollar for these items. California wines are doing very well in Bermuda and have experienced tremendous growth over the last 10 years. There has also been a movement towards opening salad bars in supermarkets. Organic "healthy" foods are starting to catch on because of the media exposure from the United States. Private label has not done well because of customer loyalty to major brands.

#### **SECTION VI: POST CONTACTS**

#### **FOR MORE INFORMATION AND AN IMPORTER LIST, PLEASE CONTACT:**

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Foreign Agricultural Service web-site

<http://www.fas.usda.gov>

Central Intelligence Agency's World Factbook

<http://www.odci.gov/cia/publications/factbook/>

Country Commercial Guide:

[www.state.gov/www/about\\_state/business/com\\_guides/2001/wha/index.html](http://www.state.gov/www/about_state/business/com_guides/2001/wha/index.html)

Caribbean Tourism Organization

<http://www.caribtourism.com/>

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